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Conran's grows up with its customers

MarkeTrends debuts in Home Textiles & Photo/Camera

Chain Store Age

GENERAL MERCHANDISE TRENDS

JANUARY 1986

Electronics retailing's misunderstood giant

Bernard Appel, president Radio Shack Stores

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great deal of merchandise on sale that your prices are too high," says Shulanksy. He says Ames now moves more TVs at a daily price of $299.99 vs. the old regular price of $369.99, with a price break of $270, without lowering margins.

Baltimore assault: The first market where Ames's will flex its new muscles with Murphy is Baltimore. This year Ames will remodel 15 Murphy units and five existing Ames.

It is interesting Baltimore was selected since it represents Ames's desire to make a go of it in larger cities instead of the smaller—50,000 and under—areas it has flourished in. Since 25% of Murphy's units are in areas over 50,000, it will be crucial for Ames's to succeed in Baltimore.

After Baltimore, Ames will slowly bring other markets on line. "It is not a race," says Tashjian, "they will judge Baltimore and adjust accordingly. The timetable should be to convert all stores within two to three years."

Once Murphy puts the finishing touches on Murphy, Ames's growth will settle back to 11% to 12% new stores per year. Growth is expected to stretch West rather than South, thus quelling any fear Ames would lock horn's with one of Gilman's mentors, Sam Walton. □

Nearly 90% of a recent sampling of retail executives agreed that retailing decisions would be more consumer-driven in the future than in the past.

Dept. Stores: Threats and opportunities

***Department store** are threatened by off-price stores.*

Edward S. Finkelstein, chairman/ceo of R. H. Macy Co., had little regard for the question. Asked at a press conference which type of retailer, an off-pricer or a promotional department store like Mervyn's, presented more of a competitive challenge, Finkelstein dodged the inquiry by saying that Macy's limits its concern to how it operates with no thought to how others perform.

Strategic planning—a process that requires exploration of the external, competitive environment—may be in vogue at the nation's department stores, but at least publicly is not admitted to at Macy's. Perhaps it is not needed, for, after all, Macy's San Francisco has enjoyed years of sales and earnings growth even as Mervyn's grew up in its backyard and off-price stores invaded its turf.

But Macy is far from unique, according to a survey of retail executives conducted by Walter K. Levy Associates, results of which will be presented at this month's National Retail Merchants Association convention in New York. The survey will be paired by Levy with responses from a followup poll of consumers.

Forty per cent of the 95 retailers responding to the survey, and 50% of the 54 department store executives, indicated that soft good-oriented promotional retailers such as Main-Street and Mervyn's constituted a major competitive issue to be faced over the next three to five years.

Off-price stores posed an even greater threat, with 46% of the total sample rating it of major significance and 48% of the department store respondents doing so.

Women's apparel specialty retailers were deemed the biggest challenge, while vertical retailing by manufacturers, as evidenced by Esprit or Coca-Cola's Fizzazz store, and upscale discounters like Bradlees and Target deeply worried no more than a fourth of the retailers.

Finkelstein's answer notwithstanding, most department store executives (57%) said their companies have formal strategic marketing plans. Another 28% said they planned to add such activities. Six out of 10 underwrite consumer/marketing research, with 24% planning to join the research bandwagon.

Yet, even with this research orientation, and the increase in the publicity given to the country's changing demographics, few retailers seem eager to tap the market of shoppers age 55 and over. Just 22% of the total said they currently target this group compared to 70% who

Why sales have been erratic

Overstoring	66%
Redundancy of approach by retailers	53%
Overreaction to competition's sales promotions	43%
Change in consumer psychology/purchase patterns	42%
Short-term economic conditions, weather	24%

Source: Walter K. Levy Associates

How to project a distinct company image

Improve quality of selling service	90%
Department/classification dominance	71%
Upgraded facilities	69%
Better point-of-sale service	67%
Fashion leadership	64%
More private label in noncommodity categories	52%
More exclusives in noncommodity goods	40%
Bigger visual display budget	43%

Source: Walter K. Levy Associates

are wooing petites, 57% career/working women, 53% large sizes, and 24% yuppies.

As nearly 90% of the sample agreed that retailing decisions would be more consumer driven in the future than in the past it is expected that the more mature customer will become a more important target in the 1990's.

During last year's NRMA conference, attendees heard dire forecasts of flat women's apparel sales through 1990. Better than half (56%) of the total sample, and 65% of department stores retailers, disagreed. Most cited the jump in working women figures contributing to greater wardrobe need and greater available discretionary income, a growing trend toward wardrobe diversity by end use, and the influence of fashon cycles rather than demographic trends as reasons why apparel sales will remain vibrant.

Business, however, will not come without problems, stemming mostly from the continuance of off-price promotional activity. Unabated sales erode margins and change consumer purchase behavior, retailers said.

Despite the hazards, sale activity will not be phased out. Almost half (48%) of all department store execs forecast running considerably more off-price promotions more frequently.

Specialty stores and specialty store chains had a more conservative approach to sales. Just 2 in 10 predicted more frequent promotional sales.

***Specialty stores** report a more conservative approach to promotions.*

Major competitive issues over next three to five years

	Total retailers	Department stores
Specialty retailers in women's apparel	64%	57%
Off-price apparel stores	46	48
Promotional soft goods stores (Mervyn's)	43	50
Upgraded J. C. Penney	33	44
Direct marketing catalogs	29	24
Vertical retailing by manufacturers	25	24
Upscale discounters	21	26

Source: Walter K. Levy Associates

Another major consequence of unrestricted sales promotion is the destabilizing effect on a store's image. Sixty-seven per cent of the retailers were very concerned that customers perceive little difference between most retailers' resources, assortments and merchandising approaches.

The tactic overwhelmingly favored by 90% of the respondents as a way to project a distinct company image is the improvement of selling services. Beyond that merchants are concentrating on classification dominance (71%), fashion leadership (64%) and upgraded stores (68%). □

HAVE VCRs FINALLY REACHED

MATURITY?

As VCRs reach maturity, the effect of a horizontal sales path on the entire industry could be dramatic. However, maturation is not necessarily the retailer's foe.

This year will be the last year that video cassette recorder unit sales will grow, according to a special *Chain Store Age* MarkeTrends consumer survey.

Household penetration for VCRs has already hit 31.5%, and while the study shows that another 23.8% of households are saying they expect to buy a video cassette recorder one day, 44.7% of those interviewed report they do not ever expect to buy a VCR.

Based on information garnered from the special study, *CSA* estimates that 12.2 million VCRs will be sold in the United States in 1986, compared to approximately 11.5 million last year. In 1987, according to *CSA* estimates, sales will hover at between 12 million-12.5 million units. The following year holds the potential for VCR's first drop.

As VCRs finally reach maturity, the effect of a horizontal sales path on the entire industry could be dramatic. In 1984, the increase in sales for VCRs accounted for fully half of the overall consumer electronics industry's dollar volume growth. Last year, video cassette recorders were the only factor standing between the industry and a sales drop.

American retailers and their sources, however, have little to complain about. The expected 50%-55% near term household saturation point is well above the 30%-35% experienced both in Western Europe and Japan.

Also, maturation in itself is not necessarily the retailer's foe. Though an estimated 91% of U.S. households already own a color television, American retailers still manage to sell 15 million-16 million sets annually.

Looking even further down the road, both 1987 and 1988 now look like holding years, with the final two years of the decade beginning a second (though less spectacular) growth period. What will drive the second upward spiral is the replacement of older machines.

CSA estimates that about 500,000 VCR sales last year were to early owners who were buying a replacement machine. By 1990, the number of replacement sales could balloon to a projected 10 million units. That, combined with an upward creep in household penetration, will cause a second growth period.

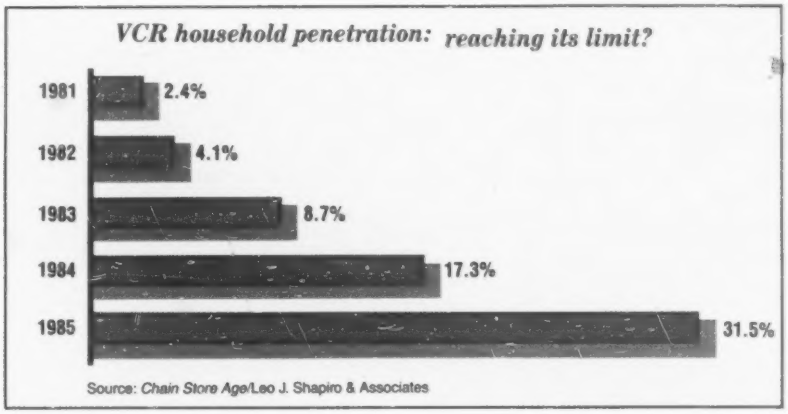
Over 31.5% of all households polled now have VCRs.

The next 12 months, however, will look like a rerun of last year's performance. Consumers in the special MarkeTrends survey report they expect to buy a familiar list of brands at familiar outlets at what have become familiar prices. The only major change will be the dwindling of Beta and the emergence of 8mm.

When asked in open-ended questioning what brand VCR they expect to buy, consumers in the special study report Sony, Panasonic and RCA with the greatest frequency. Following are store brand, Fisher, Sanyo and Zenith. The study's respondents are committed to their brand choices, with 43% saying they definitely or almost definitely want their stated name brand.

On the average, consumers in the poll expect to pay a mean amount of $426 for their new video cassette recorder, with the great majority (81.9%) reporting they intend to spend between $300 and $699. The largest number (34.4%) expect to pay between $300 and $399.

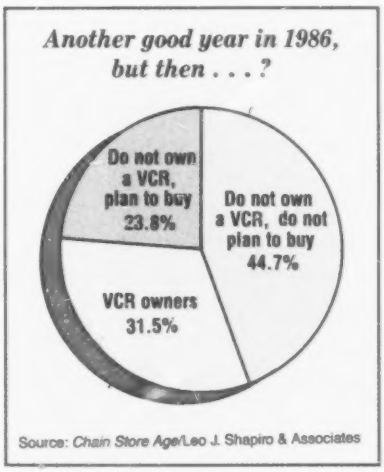
According to the survey, audio-video specialty stores took 36.4% of unit sales last year, followed by Sears, Penney and Ward, discount stores and full line department stores. If consumers who expect to buy a VCR in 1986 follow through on their stated intentions, the poll indi-



cates an increasing share this year for discount stores and the Big 3 mass merchants and a resulting decline for the specialists.

The single greatest change in 1986, however, will be a sharp drop in Beta's share of the market. In MarkeTrends polling a year ago, respondents stating a choice preferred VHS over Beta by a 2 to 1 margin. In the current study, only 1 in 20 of those who say they intend to buy a VCR also report that they expect to buy a Beta machine.

Sales for Beta at retail saw the bottom drop out during the Christmas selling season, and if the MarkeTrends figures hold true, many retailers will close out their Beta stock at distress prices in the coming months.


Another good year in 1986, but then . . . ?
Do not own a VCR, plan to buy 23.8%
Do not own a VCR, do not plan to buy 44.7%
VCR owners 31.5%
Source: Chain Store Age/Leo J. Shapiro & Associates

What the industry hopes will pick up some of Beta's slack, of course, is 8mm, but in the special MarkeTrends survey, 8mm had not yet garnered a following. When asked what format they expect to buy, not a single prospective customer chose 8mm.

Just who will be buying this year may put a damper on some of the growth potential for pricey 8mm systems. The prospective VCR buyer is taking on a distinctive blue collar tinge.

A year ago, 45.2% of potential VCR buyers were college educated or above. This year, less than one-third (32.9%) of prospective buyers have a college education. However, average household income for potential buyers averages the same $30,000 in the current study that it did a year ago.

Geographic area will continue to play a part in VCR sales this year. Interest in buying a video cassette recorder is highest on a per capital basis in the Middle Atlantic states, as well as the North Central, Mountain and Pacific regions.

Per capita buying plans for VCRs is lowest in New England, the South Atlantic and the South Central states, according to the most recent poll. □

Consumers tuning in to car stereos

Research suggests retail sales by domestic car makers and the aftermarket will climb to $3 billion in 1986.

The seemingly mature car stereo market is displaying youthful vigor for the first time in years. More people are shopping for automotive sound these days because compact discs, stereo televisions and digital VCRs have rekindled interest in all audio equipment.

After four flat years, consumer interest in car stereo has finally taken off. In *Chain Store Age* MarkeTrends surveys, the number of people who say they might buy a car stereo in the coming 12 months was just above 3% from the beginning of 1982 until late last year. In November, the number rose to 4% and this month grew to nearly 5%.

Households actively shopping for automotive sound has increased at the same time. After years of fluctuating from a low of 0.8% to a high of 1.4%, the figure rose to 1.6% in November and jumped to nearly 2% this month.

Research indicates retail sales of car stereo by domestic car makers and the aftermarket will climb from last year's $2.8 billion to about $3 billion this year.

One reason for the growth is that any audio advance can indirectly benefit the entire consumer electronics business, says an industry insider. "Stereo TV is making people more sound conscious and that helps us all," she says.

Another reason is the direct benefit of advances such as the compact disc player for cars, says James Pedranti, vice president for marketing of Sparkomatic Corp., a manufacturer of car stereo for the mass market. His company will introduce an adapter to mate portable CD players to car sound systems for a retail of about $20. "CD is probably the greatest thing that's happened to our industry since the invention of the car radio," Pedranti says.

Chet Sharp, stereo buyer for Harts, a 27-store Columbus, Ohio-based discount chain, shares the enthusiasm for car CD. He hopes to carry some models later this year and says, "all the mass merchandisers will get into it eventually."

Pedranti believes car owners will yank cassette players from their dashboards after hearing CD, much the way they quickly replaced eight-track with cassettes. "It's that built-in obsolescence we're always looking for."

Just when the big switch to CD will happen is in doubt, others say. "I'm surprised it's taking as long as it has," says Larry Carpenter, Sony national sales manager. His company began marketing two car CD

players a year ago.

Cassettes may retain their popularity longer than eight-track, says Tony Mirando, national marketing and sales manager of JVC's car audio division. His company will introduce a car CD player in February.

Mirando also sees digitally recorded tape as a competitor to CD in future car stereo wars. Digital tape sounds better than conventionally recorded tape but falls short of CD quality. Digital tape has the advantage of home recording, however.

With either new system, initial high prices are bound to chase away many potential customers. A technological breakthrough is needed to bring down the CD price and reduce its size, says Carpenter of Sony.

Mirando, meanwhile, is predicting the rarest of events in consumer electronics will come to pass this month—a price increase, this one due to a drop in the Japanese yen.

A price hike would reverse a long slide. JVC, for example, is introducing a car stereo that will probably sell on ad for $179. Mirando says a comparable stereo would have brought $329 three years ago.

Price erosion is often mentioned as a reason for the category's improved sales outlook. While it is true that the price of any one model has probably dropped, the average price of car stereos is actually increasing because the number of features is growing. Electronic tuning is one feature that has become nearly universal.

Still more features—as well as higher-priced, better-quality equipment—may sell well as audio awareness builds. Sparkomatic is banking on that trend with a new line of speakers that will debut under the Altec Lansing name. The mass marketer hopes to step up to specialty stores with the new name.

As old customers trade up, people once satisfied with AM radio may enter the lower end of the market. Sony will be ready for them with the new Express line. Sony is using the series to break into the discount market while continuing to offer higher-priced equipment.

Some other manufacturers are showing more willingness to see their wares on discounters' shelves. But some scrambling by vendors is due to uncertainties caused by changes in the way automobile manufacturers market car stereo and by fluctuations in the auto market.

Detroit lagged behind the aftermarket in introducing cassettes and may trail again with CDs. The automakers are putting in better stereos these days, however, and their gains in market share mean losses for aftermarket retailers.

"A lot of people in the industry are concerned about Detroit," Pedranti says. He cites the example of the 1986 Buick Riviera which makes the factory-installed radio an absolutely vital link in the car's electronic navigation system.

During the first seven months of the 1985 model year, domestic car makers, importers and dealers installed more than 1.5 million conventionally tuned radios and in excess of 3.2 million electronically tuned units. More than 10,000 systems included CD players, according to Ward's Automotive Reports.

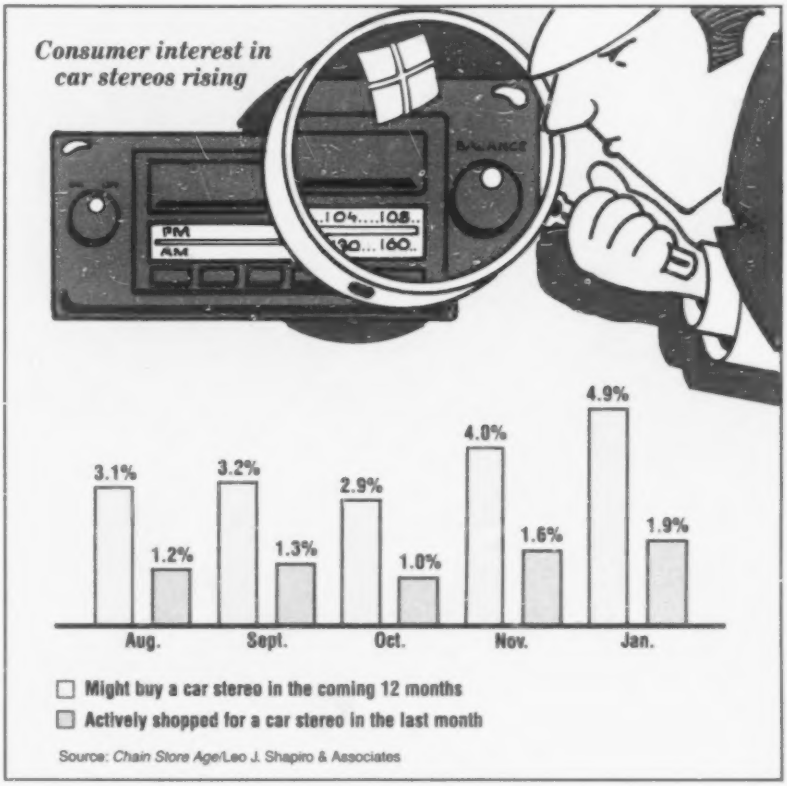
Yet some retailers show little concern about competition from the car companies. "Our business is in used cars," says Sharp of Harts.

The stereo buyer for an East Coast-based discount chain agrees that the automakers are not a threat at this point. "Our car stereo business is increasing every year, so as of yet, I can't say that we're affected by it," says the buyer.

As the debate continues on new car sound, auto sales are expected to decline this year from 1985. Whether that affects aftermarket stereo sales is questionable. Market analyst Raymond Boggs of Venture Development Corp., a Natick, Mass.-based research group, says that when new car sales drop, people are keeping their cars longer and thus are more likely to buy aftermarket stereos. At the same time, however, decreased new car sales lowers the number of cars on the road and thereby shrinks the stereo aftermarket. "It's probably a wash," Boggs says.

Venture Development expects the factory value of car stereo shipments to rise strongly both for new vehicles and for the aftermarket. It calls for new car stereo shipments to grow at an annual rate of 11% from $1.1 billion last year to $1.8 billion by 1990. Aftermarket shipments will grow from just over $1.1 billion in 1985 to $1.6 billion in 1990, an annual increase of 9.4%. Although the researchers see factory installations outstripping aftermarket, the picture for retailers remains bright. □

—Ed McKinley



He recognizes that the company's requirements for strong retail support for the MVS points to an emphasis on specialty stores and smaller players in the mass market—exactly the people who benefit most from the Kodak pricing strategy.

It remains to be seen whether this specialty store base can deliver the sales volume that Kodak needs to be profitable in the faster track world of consumer electronics.

As one Wall Street analyst pointed out, "The incursion of electronics into previously chemical-based products dominated by Kodak has forced them to take risks and diversify. They are taking risks and being extremely aggressive." He believes that Kodak's experiences with Kodavision showed the company it was on an even faster track than it expected. Apparently, Kodak responded with more new 8mm products and a pricing strategy that sets them apart from everyone else in the industry—for better or for worse.

The analyst also notes that margins in consumer electronics will be lower than in film-based products, and margins on hardware are lower than on accessories.

Two retailers in two different cities who were among the first to sell the Kodak 8mm systems now have very different reactions toward the company and its products.

In Dallas, a hotbed of 8mm converts, John Hayes, video manager for Barry's Camera & Video, says the first shipment of the MVS arrived late in November. The store promoted its remaining Kodavision stock to concentrate on the newest product and now getting a good customer response to Kodak's newest system. Prices for systems range from $1,800 to $3,000, depending on the number of components.

Hayes says the MVS is doing well because of the features it offers. His customers are looking for a package deal and they like both the excellent quality sound from the digital system and the extended playing time (four hour video and 12 audio).

"A lot of retailers have confidence in Kodak. Everything that they have produced is up to the Kodak standard. They also offer good promotion for the products and good service and support" for their retail customers.

In Atlanta, Wolf Camera and Video introduced 8mm to that market through the Kodavision systems in November 1984. Morton Grosswald, corporate purchasing, says the store is in 8mm "in a big way," but has dropped Kodak because G.E. offered a better deal that Kodak did not want to match. Like Kodak, G.E. also buys its video cameras from Matsushita.

Says Grosswald, "We were disappointed with Kodak all around. They weren't willing to take their beating [in Kodavision] and get out of the first generation."

The store's 8mm assortment now emphasizes Sony products, with some G.E. to offer price and feature selection.

A spokesman for Dallas-based Sanger Harris would like to see Kodak's strategy succeed, even though the department store has no plans to add the Kodak MVS to its assortment. He reasons that if Kodak succeeds in making inroads into the mass market it will help keep Sony out of it, thus preserving the upscale department store and specialty market for his assortment. Such a success would give that much more credibility to the 8mm format, and it would put him in a better negotiating position with Sony if that manufacturer knew it was not the only game in town.

The combination of a second generation 8mm system from Kodak and its unusual pricing strategy could earn it a following among smaller mass merchandisers and specialty stores, says the Sanger Harris spokesman. But he is not at all certain that such a market niche exists. He also raises questions about how the arrival of other 8mm entries from Matsushita could blur different market segments. □

CE retailers' brand loyalty is fading

Retailers who add brands are seeing sales increases as customers take their stores' offerings more seriously.

***The greatest decline** in loyalty recently is at department stores, says a study.*

Brand loyalty is out the window for many consumer electronics retailers. Manufacturers are competing fiercely for volume and merchants are taking the opportunity to switch suppliers or add additional brand names.

The greatest decline in loyalty in recent years is among department stores, according to a study by Venture Development Corp., a Natick, Mass., management consulting firm.

Raymond Boggs, manager of Venture's consumer electronics division, says that in 1983, department and discount stores had carried three quarters of their suppliers more than three years.

Last year, department stores had carried less than a quarter of their manufacturers for more than two

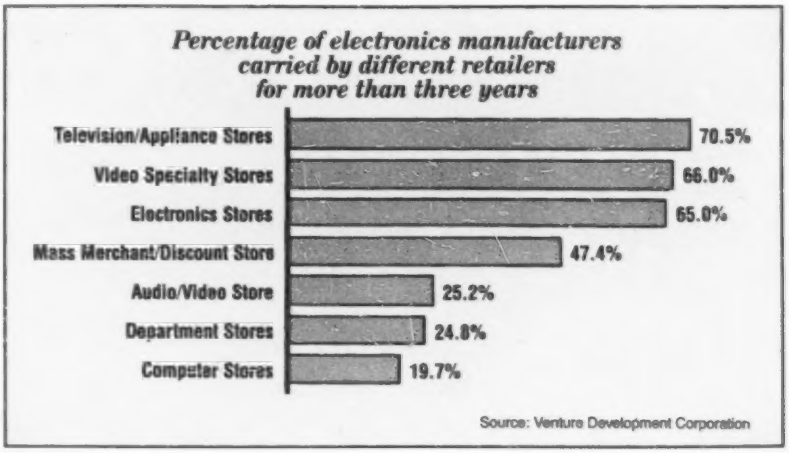
years.

Discount stores, by 1985, had carried only half their suppliers for more than two years.

Television and appliance stores displayed greater stability. More than 70% of the manufacturers carried by these retailers have been with them more than two years. In the past, however, Venture found even greater loyalty among these stores, some of which specialized in a single manufacturer's products.

The exception to the trend was in video specialty stores. Two-thirds of the manufacturers carried by these stores had been handled for two or more years by 1985, an increase over 1983. Boggs notes that many such stores are relatively new and are still using their initial suppliers.

One part of the new equation is movement by some relatively upscale labels into unfamiliar markets. "Some of the majors like Pioneer are appearing in the mass merchandisers," says Chet Sharp, stereo buyer for Harts, a 27-store discount chain based in Columbus, Ohio.



The shift is occurring because the price is right. Electronics prices are dropping, bringing some higher end products nearer to the discount store price range. Meanwhile, better appreciation of sound quality is making many customers more likely to spend more in the category.

Name brand manufacturers "are much more flexible in the last year or so on price and on programs they will participate in," says Gerald Hart, electronics buyer for T.G. & Y. Such programs include co-op advertising dollars or other fringes.

As part of the bargain, Hart also finds himself with a brand for every need. He uses some lines for promotion and sells others to more upscale customers.

With Grand Prix or Crown, Hart

TURN SCOTCH™ VIDEOCASSETTES UP TO NINE TIMES A YEAR.

You can turn Scotch Videocassettes up to nine times a year. While tapes are turning, you'll be increasing your traffic, and generating higher profits.

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Scotch

3M 1986 *The September 1985 issue **As reported in December 1985 issue of Video Review

advertises price. "Those [and a few others] are the only companies that can hit the prices we need for volume business."

T.G. & Y. also carries Panasonic, Sharp and Sanyo. The need for volume has pushed such companies into the mass market; Hart says.

Paul Newman, a vice president of Code-A-Phone, agrees that volume is important. "CE is to a great extent price-driven, so volume is needed," he says.

Newman says retailers are giving consumer electronics more space, another reason for fading brand loyalty. "It appears to me that they're adding more sku's," says Newman, "but they may have a tendency to change faster than they changed in the past." He says some retailers add sku's in growth areas and then weed out slower merchandise during a shakeout.

Buying groups are helping smaller retailers add sku's, because the merchants no longer need to stay with only a few suppliers to become important outlets.

Retailers who add brands often see their sales increase because customers take the stores more seriously as places to shop for consumer electronics after seeing stronger statements.

***Upscale brands are** making an appearance at mass merchandise CE outlets.*

Manufacturers have contributed, too, to the erosion of brand loyalty among retailers. After courting retailers, some vendors then lament the tendency of deal-oriented stores to become more demanding.

One interesting twist is in the area of price protection. In the past, department stores sought price protection against discounters. Now, discount buyers are talking about price protection against specialty stores on such products as car compact disc players, which are bound to go down in price. □

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1986: Audio turns up the volume

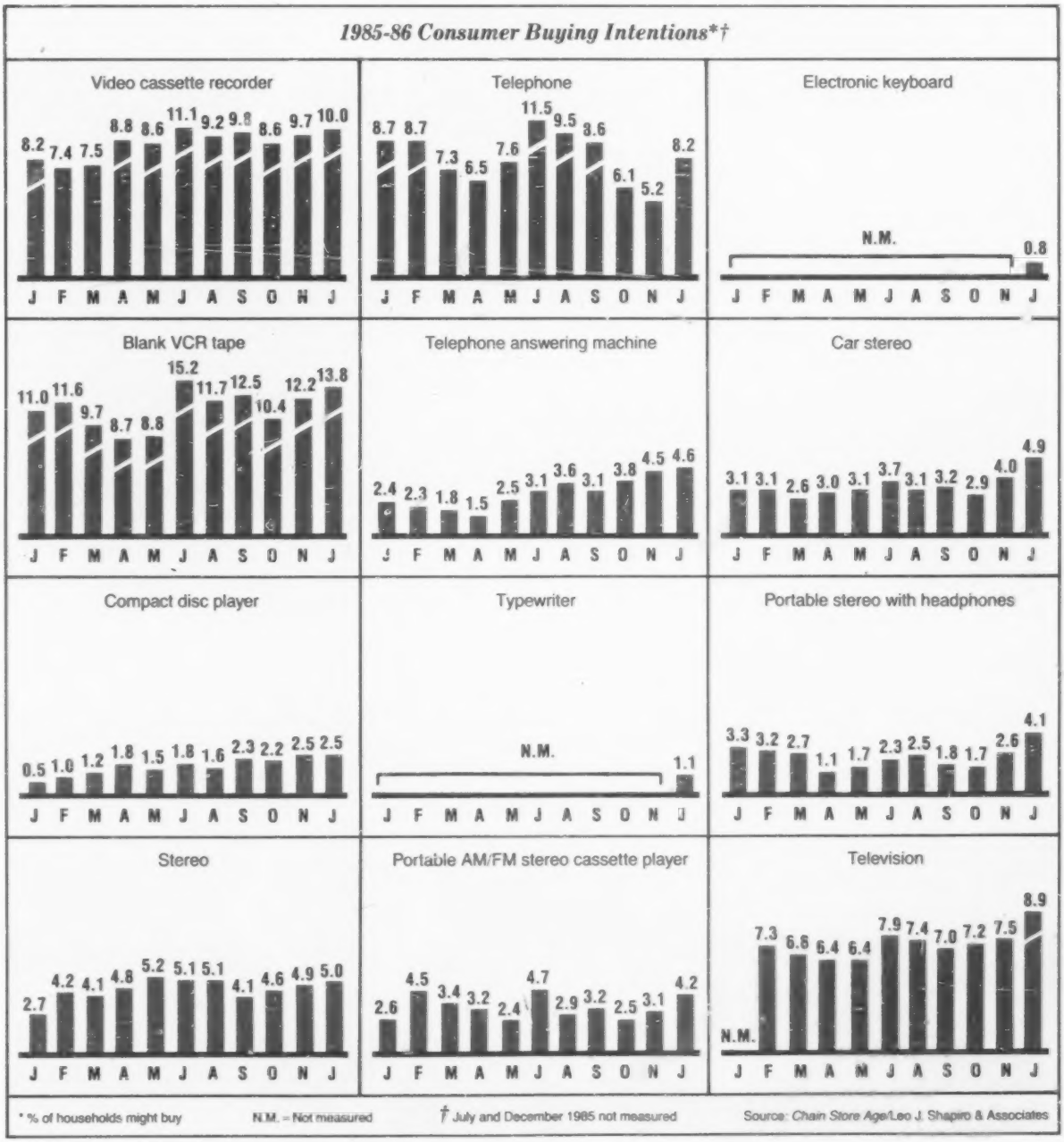
It will be a watershed year for audio. Consumer interest in audio products will lead the industry to new heights in 1986, according to MarkeTrends research. Leading the way will be compact disc players, posting a 400% increase over last year in the number of households which say they expect to buy a digital audio disc player in the next year.

But the action for audio will not stop at compact disc players. Also registering jumps in consumer buying intentions are stereos, auto sound and even headphone stereos and boom boxes.

Buying plans for stereos are hovering at the highest level in five years, 85% ahead of last year. One in 20 households now report that they intend to purchase either a component or a rack system within the next 12 months.

An almost equal number (4.9%) say they expect to buy a car stereo in the next year—the highest total ever recorded in MarkeTrends research. Unanswered, however, is whether those sales will be at the factory level or in the aftermarket (see related story).

None of which means that video will be left behind. Consumer interest in VCRs is up 22% from last year. Blank videotape buying intentions also gained 26%. □


1985-86 Consumer Buying Intentions*†
Video cassette recorder
8.2 7.4 7.5 8.8 8.6 11.1 9.2 9.8 8.6 9.7 10.0
Telephone
8.7 8.7 7.3 6.5 7.6 11.5 9.5 8.6 6.1 5.2 8.2
Electronic keyboard
N.M. 0.8
Blank VCR tape
11.0 11.6 9.7 8.7 8.8 15.2 11.7 12.5 10.4 12.2 13.8
Telephone answering machine
2.4 2.3 1.8 1.5 2.5 3.1 3.6 3.1 3.8 4.5 4.6
Car stereo
3.1 3.1 2.6 3.0 3.1 3.7 3.1 3.2 2.9 4.0 4.9
Compact disc player
0.5 1.0 1.2 1.8 1.5 1.8 1.6 2.3 2.2 2.5 2.5
Typewriter
N.M. 1.1
Portable stereo with headphones
3.3 3.2 2.7 1.1 1.7 2.3 2.5 1.8 1.7 2.6 4.1
Stereo
2.7 4.2 4.1 4.8 5.2 5.1 5.1 4.1 4.6 4.9 5.0
Portable AM/FM stereo cassette player
2.6 4.5 3.4 3.2 2.4 4.7 2.9 3.2 2.5 3.1 4.2
Television
N.M. 7.3 6.6 6.4 6.4 7.9 7.4 7.0 7.2 7.5 8.9
J F M A M J A S O N J
* % of households might buy
N.M. = Not measured
† July and December 1985 not measured
Source: Chain Store Age/Leo J. Shapiro & Associates

Phone answerers ringing up sales

***MarkeTrends reports 4.6%** of households expect to buy a phone answerer in 1986.*

Consumer interest in telephones has been riding an up and down roller coaster over the last year, making sales predictions difficult, if not impossible. Answering machines, however, have been riding in only one direction—up.

A year ago, only 2.4% of households tracked in the MarkeTrends poll reported that they expected to buy a telephone answering machine. However, consumers significantly underestimated their buying plans in 1985, and 3.74 million answerers (with about 4.4% of households buying) did sell last year.

In the latest MarkeTrends reading, 4.6% of households report they expect to buy in 1986. This puts the potential market for the current year at between 4.5 million and 6 million units, according to *Chain Store Age* estimates.

Audio-video specialty stores continue to take the largest part of sales, according to the survey, with 25.7% of units sold during the last year. Following the specialists (and all recording increases in market share) are telephone stores, discount stores and department stores.

The increases in market share come at the expense of Sears, J. C. Penney and Montgomery Ward, whose combined share fell from 13.5% in the March 1985 reading to 8.6% in the latest poll. Catalog showrooms, however, posted the biggest loss, falling from 11.7% in the poll eight months ago to only 1.4% in the most recent survey.

Mail-order sales are one of the study's surprising gainers in market share, jumping from 2.6% of units sold in the March 1985 poll to 8.6% in the latest reading, an increase of 230%. □

Catalog showrooms lose share
Where did you buy your last telephone answering machine?

	March '85	January '86
Audio-video specialist	16.3%	25.7%
Telephone store	16.2	20.0
Discount store	15.6	15.7
Department store	9.7	11.4
Sears, Penney, Ward	13.5	8.6
Mail order	2.6	8.6
Catalog showroom	11.7	1.4
Other	14.4	8.6

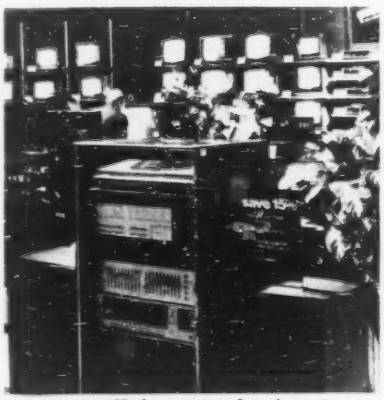
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Fragmented market helps PL stereos

Private label electronics share comedian Rodney Dangerfield's lament—they get no respect in the current retailing environment. Montgomery Ward has introduced national brands, and so will Sears. Even Tandy is focusing much of its attention on its new branded outlets.

Customers, however, have not yet given up on private label. According to the latest MarkeTrends survey, nearly 1 in 5 stereos (18.7%) sold last year were private label brands. Sears took the lion's share (about 1 in 10), followed by Radio Shack's Realistic brand and J. C. Penney.

The private label retailers' performance is all the more remarkable, since on the average only 2.4% of households which expect to buy a stereo in the next year report they *do not* expect to buy a national brand. The private label brands, recording actual sales nearly eight times larger, almost look as if they are creating a market out of whole cloth.



***A recent poll** shows nearly 1 in 5 stereos sold last year were private label.*

The secret to private label's success in stereos is due in large part to the fragmentation of the marketplace. In the MarkeTrends study, no nationally advertised brand garners more than a 10% share. When asked what brand of stereo they last bought, consumers report Fisher (9.3%) and Sony (8%) with the greatest frequency. The top 10 national brands add up to less than half of all stereos sold, according to the survey. □

PL creates challenge in stereo sales

What brand stereo did you buy?	
Store brand	12.0%
Fisher	9.3
Sony	8.0
Realistic	6.7
Pioneer	5.3
Sanyo	5.3
JVC	5.3
Panasonic	4.0
General Electric	4.0
Technics	4.0
Yamaha	2.7
Hitachi	1.3
Others	32.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Headphone stereos hit middle age

There is a gray market for personal headphone stereos, but it has nothing to do with overseas distribution. Rather, the new gray market refers to the target customer's graying hair at the temples. According to MarkeTrends research, the highest potential for sales is to the 35- to 49-year-old age group.

In the most recent MarkeTrends survey, less than one-third of respondents are between 35 and 49 years old. Yet nearly 40% of those who say they expect to buy a headphone stereo in the next year are in this middle aged group.

Those aged 35-49 are hottest market for headphone stereos

Age	Sales potential score*
Under 20	88
20-24	116
25-29	87
30-34	95
35-39	105
40-44	95
45-49	160
50-54	68
55-59	66
60-65	69
65 and over	51

*Chart measures the size of each age group and compares it to the number of potential buyers in each age group. A higher number indicates a greater potential for sales.

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Unlike nearly every other home electronics product, women represent a significant portion of those who either have bought a headphone stereo or expect to buy within the next year.

When asked what brand headphone stereo they last bought, respondents in the MarkeTrends poll cite Sony with the greatest frequency (30.4%). Following are Sanyo (15.7%), Panasonic (14.7%) and General Electric (11.8%).

Consumers in the study say they expect to pay a median $79 for a new headphone stereo, but report they paid only $39 for their last one. Those polled in MarkeTrends research, however, have in numerous studies consistently overestimated how much they would spend for a personal headphone stereo. □

Pitfalls of supply and demand

It is going to happen again. Remember the Cabbage Patch craze two years ago? No one (most notably not even Coleco) correctly anticipated the consumer frenzy those new dolls would create. Production capacity was well below consumer demand, and many retailers spent more time on crowd control than on selling. Parents, meanwhile, were not spared the awful task of explaining why Santa's elves were unable to keep up with the production schedule.

The elves who make consumer electronics may be facing another production shortfall in 1986. This time it will not be Cabbage Patch dolls, but stereos and CD players. *CSA* MarkeTrends research is showing intense consumer interest in both categories this year. The potential is so great that it seems doubtful the industry will reap maximum profits from either.

Nobody will win in that situation—neither the manufacturer, nor the retailer, nor the customer, who, like the Cabbage Patch-less consumers two years ago, will go home without buying and muttering a few well-chosen oaths in the direction of the unfortunate retailer.

Based on MarkeTrends polling, potential demand for compact disc players this year conservatively could reach 4.9 million units. Potential demand for stereos, both component and compact systems, could reach 5.4 million units in 1986. This represents about a fivefold increase for CD players and a near doubling for stereos from last year's sales.

There is a lesson to be learned here. Imagine what Coleco's bottom line would have looked like two years ago if it had been able to pluck a few hundred thousand more dolls out of the patch in time for Christmas.

However, there is much which could keep these estimates from turning into actual sales. Continued strength of the Japanese yen against the American dollar makes price increases from nearly all vendors a certainty this year. Higher prices might dampen some of the consumer's interest, but a more likely scenario has retailers absorbing increases with thinner margins.

High levels of consumer debt could also put a lid on potential sales. The majority of big ticket home electronics sales are credit transactions. It will be interesting to see how leveraged consumers have left themselves after Christmas.

The biggest factor in keeping sales below potential levels, however, will come from the industry simply not believing that the market can really be so large. It is. As MarkeTrends research shows, this will be audio's year. Believe it.

* * *

The New Year is as good a time as any to make predictions, so here are the rest of *CSA*'s estimates for potential home electronics sales in 1986.

Video cassette recorders will turn in at least one more good year. Based on MarkeTrends polling, more than one million units a month will sell in the coming year, totaling 12.2 million units industrywide by year's end. Right now the magic price point is $349, by next fall it should slip to $299.

Color television will continue strong, selling 15.7 million units. As the year progresses, stereo TV's share will grow. Telephones will dip to 20 million units, but answering machines have the potential to sell a projected 5.5 million units in 1986.

—Rick Gallagher

Platypus.

"The other tenants wished us good luck for the six months they thought we'd be in business," Schulman recalls.

But the other tenants underestimated the taste levels of the East Brunswick customers. Many were formed New Yorkers and Platypus filled a void in the market.

"Every shopper who came in during our beginning years thought they were the only ones who understood or appreciated us," Schulman chuckles.

Obviously most shoppers comprehended the concept. Platypus started throwing huge gala parties once a year for prized clientele. Customers in turn kept spending money. Eventually Platypus devised a catalog to serve mail-order customers and to help introduce others to the store. Two years ago the retailer mailed 60,000 books to shoppers in a 15-mile radius. This year it made a gutsy move and produced its own 16-page, four-color insert to *The New York Times*. While major department stores spend almost $25,000 a page for such catalogs, Platypus was able to do it for a fraction of the cost by using internal talents. Over a quarter of a million of the books were printed.

Schulman says using *The New York Times* actually worked out to be more economical than direct mail, especially since it reached customers in the new markets.

With all of its systems in place, Platypus is set to expand. Some suppliers say it could grow to as many as 100 stores, providing the Schulman's do not spread themselves too thin. Currently they do all the buying and staff the stores with what Schulman calls "the best managers."

Even Schulman admits he is not sure how big Platypus can get. He is toying with various growth vehicles including franchising or partnerships with managers. For now Platypus can support limited growth by feeding other stores through the larger flagship unit and drop shipping bulky items. □

Home health care explosion?

Research suggests consumers may be more willing than ever to buy home health care products.

Interest to buy home health care on the rise

	1983 Already own	Extremely interested	1985 Already own	Extremely interested
Blood pressure monitor	12.0%	5.7%	13.5%	7.0%
Hand or foot massager	12.0	3.6	15.5	9.5
Shower head massager	37.7	6.8	42.7	8.6
Shower head steamer	3.2	4.1	4.4	6.7
Vaporizer	42.5	1.1	51.3	2.8
Humidifier	40.5	7.0	41.8	5.3
Heating pad	61.2	3.9	69.8	3.5
Digital thermometer	4.3	6.6	14.4	12.8
Digital scale	8.6	8.4	16.2	14.6
Air purifier	18.2	3.9	17.2	11.1

Source: *Chain Store Age/Better Homes & Gardens*

Home health care manufacturers keep predicting the category will explode in 1986. They may have some validity, according to a survey conducted by *Chain Store Age/Better Homes & Gardens*.

For the past three years, suppliers have promised a sales bonanza. Although sales have been steady, the boom never materialized. But now, the research suggests, consumers may be more willing than ever to buy home health care, especially air purifiers, foot massagers, digital thermometers and blood pressure gauges.

Eight of the 10 tracked health care items registered a higher percentage of households indicating an extreme interest to buy vs. a similar study in 1983. The poll of 431 households also showed a dramatic increase in the overall interest in purchasing home health care products compared with the study completed two years ago.

The promising statistics do not surprise home health care suppliers. They say sales are heating up due to increased consumer interest in health and the aging of the population. Jerry Baker at Lumiscope predicts movement of digital thermometers will hit four million, up from only one million in 1984. He also believes blood pressure monitor sales will soar to $125 million. Suppliers say overall home health care sales will jump 20% in 1986.

Despite vendor enthusiasm, retailers have been leery of the category. With the notable exceptions of Lechmere, Bamberger's, K mart and catalog showrooms, most retailer shelves are empty of home health care merchandise. Buyers are often confused about the products, are sometimes skeptical about the quality of the merchandise and many are not convinced the products can be sold in a self-service environment.

The *CSA*/BH&G research, however, behooves retailers to take another look at the category. There has been a 23% jump in the past two years in the number of households extremely interested in buying blood pressure monitors. There has also been a 74% climb in the extreme interest level to buy digital scales and a 94% rise in those indicating extreme interest in digital thermometers.

The percentage of households extremely interested in buying a hand or foot massager zoomed from 3.6% in 1983 to 9.5% this year. The number of households expressing a desire to purchase a shower head steamer rose from 4.1% two years ago to almost 7% now.

As for pure health care, the item to watch is the digital thermometer. Two years ago, only 6.6% of those surveyed were extremely interested in buying one. At that time, prices for one averaged more than $20. Now the cost has dropped to the magic $10 price point and almost 13% of those questioned expressed the highest level of interest.

Another encouraging point the study brings up is that the market is not saturated and that it yields gross margins of 40% and up. Only 4.4% of those queried already own a shower head steamer, only 13% have a blood pressure monitor and 14.4% a digital thermometer. □

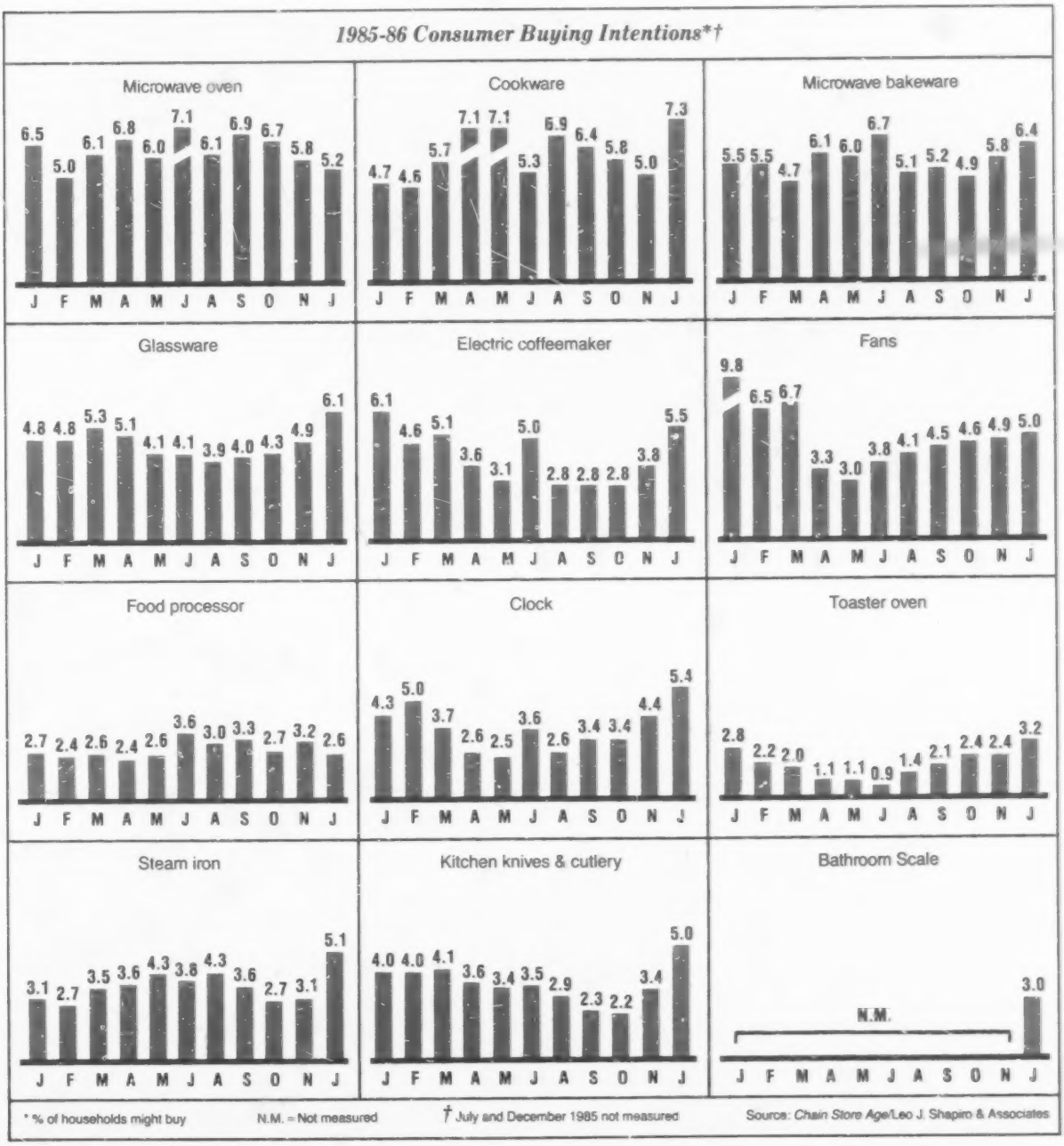
New vigor in some old basics

It appears the categories plagued with lackluster performances in 1985 will enjoy a renewed interest in 1986, according to MarkeTrends research from *Chain Store Age*/Leo J. Shapiro & Associates.

Emerging as products on consumers' housewares shopping lists for the new year are: clocks, toaster ovens, steam irons, cutlery and cookware. These classifications—mostly basics which are only replaced when the old item wears out—did not have a very strong year in 1985, but show promise for 1986. Cookware, the new survey shows, should enjoy especially robust sales with 7.3% of the households polled intending to buy new cookware in the next 12 months. That is higher than any intention level recorded.

The stars of 1985, such as microwave ovens, food processors and electric coffeemakers, will not be in as great demand this year. Only 5.2% of those questioned plan to buy a microwave oven, suggesting this market is getting saturated. Although microwave bakeware sales are still climbing, this category is sure to peak within six months.

On the whole, 1986 shapes up as a promising year for housewares. Only two categories—food processors and microwaves—show a decline in intent-to-buy from November 1985's study. □


1985-86 Consumer Buying Intentions*†
Microwave oven
6.5 5.0 6.1 6.8 6.0 7.1 6.1 6.9 6.7 5.8 5.2
Cookware
4.7 4.6 5.7 7.1 7.1 5.3 6.9 6.4 5.8 5.0 7.3
Microwave bakeware
5.5 5.5 4.7 6.1 6.0 6.7 5.1 5.2 4.9 5.8 6.4
Glassware
4.8 4.8 5.3 5.1 4.1 4.1 3.9 4.0 4.3 4.9 6.1
Electric coffeemaker
6.1 4.6 5.1 3.6 3.1 5.0 2.8 2.8 2.8 3.8 5.5
Fans
9.8 6.5 6.7 3.3 3.0 3.8 4.1 4.5 4.6 4.9 5.0
Food processor
2.7 2.4 2.6 2.4 2.6 3.6 3.0 3.3 2.7 3.2 2.6
Clock
4.3 5.0 3.7 2.6 2.5 3.6 2.6 3.4 3.4 4.4 5.4
Toaster oven
2.8 2.2 2.0 1.1 1.1 0.9 1.4 2.1 2.4 2.4 3.2
Steam iron
3.1 2.7 3.5 3.6 4.3 3.8 4.3 3.6 2.7 3.1 5.1
Kitchen knives & cutlery
4.0 4.0 4.1 3.6 3.4 3.5 2.9 2.3 2.2 3.4 5.0
Bathroom Scale
N.M. 3.0
J F M A M J A S O N J
* % of households might buy
N.M. = Not measured
† July and December 1985 not measured
Source: Chain Store Age/Leo J. Shapiro & Associates

Sunbeam's steamy iron sales

***Sunbeam has been** picking up shelf space from curtailed B & D steam irons.*

Sunbeam says it is grabbing more of the steam iron market and *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends research backs the claim.

In the most recent poll of households asking what brand steam iron they would buy, almost 25% responded Sunbeam. That is up considerably from a survey taken last March which showed 18.2% selecting Sunbeam.

Although the Sunbeam name is growing in popularity, the largest number of consumers—49.4%—look for the General Electric name (which will eventually be phased out as part of Black & Decker's acquisition of the brand). G.E.'s franchise is down somewhat from a 52% response rate last March, but the Black & Decker name surfaced for the first time with 1.6% mentioning B&D as the brand they would buy.

The name switch from G.E. to Black & Decker has opened up plenty of opportunity in the iron business and just about every major iron manufacturer expects to gain from the predicted customer confusion.

One reason for Sunbeam's great gains is its Monitor Shut-Off iron. Also, Sunbeam is picking up shelf space opened up by retailers who have abandoned Black & Decker's offerings because they say the vendor is not flexible as far as pricing and co-op dollars.

Discounters are the top choice outlet for irons. Almost 47% of the households surveyed planned to buy at a discounter, 12.2% picked the Big 3 (specifically Sears) and 9.8% indicated they would shop at a department store. Catalog showrooms were mentioned by 9.8%. □

Brand choices March 1985 vs. Jan. 1986

	March 1985	Jan. 1986
General Electric	52.3%	48.4%
Sunbeam	18.2	24.6
Store brand	13.7	7.4
Procter Silex	N.M.	12.3
Westinghouse	N.M.	1.6
Black & Decker	N.M.	1.6
Hamilton Beach	N.M.	0.8
Other	15.8	3.3

N.M. = Not mentioned
Source: *Chain Store Age*/Leo J. Shapiro & Associates

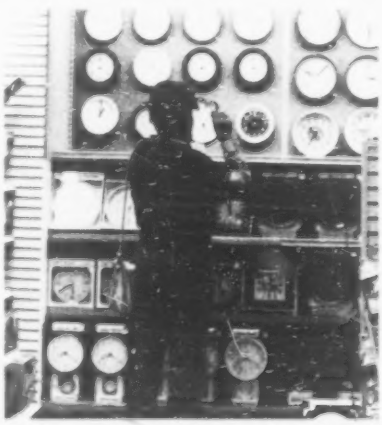
Clock sales winding up at discounters

There is a renewed interest in clocks, according to this month's *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends research.

All three areas tracked—those who bought, those who might buy and those now in the market—grew. The 5.4% of households who say they might buy is the highest response rate for this category since *CSA* started tracking it.

Suppliers say sales are rising in the $800 million clock market thanks to the influx of whimsical clock designs. Retailers, in turn, are making an improved commitment to the business.

Discount stores are where most shoppers head and where the majority buy clocks. About 33% say they would be likely to shop a discount store with 21.4% of that group specifically K mart. Discounters get even stronger when it comes to those who actually bought. Almost 40% indicate they purchased at a discount store.



***Consumers do not** show a strong brand preference in wall clocks, says the poll.*

Consumers do not seem to have strong brand preferences in clocks. Just over 23% picked G.E., followed by 21.6% selecting Westclox, 8.8% indicating a store brand, 7.2% mentioning Panasonic, 4.8% singling out Spartus, 4% picking Timex and 3.2% selecting Sony. □

At which store was your last clock bought?

Discount store	21.9%
K mart	12.9
Department store	9.5
Product specialty store	9.0
Catalog showroom	5.5
Drug store	5.0
Sears	5.0
Variety store	3.0
Audio/electronic store	3.0
Montgomery Ward	1.5
J. C. Penney	1.5
Other	22.2

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Food processors stir at discounters'

Discounters are gaining in image as the place customers think of when they want a food processor. When it actually comes time to purchase, however, many shoppers shift to department stores.

In the January 1986 *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends survey, discounters were selected by 37.9% of the sample as the place where they would buy a food processor. That is up from a similar study conducted last August where only 19.2% indicated they would head to a discounter.

Further research into shopping habits reveals shoppers were more likely to buy at a department store than a discounter: 25.7% vs. 20.3%.

What brand food processor was last bought?

Cuisinart	19.4%
General Electric	19.4
Oster	17.7
Hamilton Beach	11.3
La Machine	9.7
Store Brand	9.7
Sunbeam	4.8
Other	6.5
Not answering	1.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The Big 3, too, could put greater effort into the category. Only 3.4% of the households surveyed plan to buy a food processor at one of the catalogers. Surprisingly, 12.2% actually did purchase at either J. C. Penney, Sears or Montgomery Ward.

A final point emerging from this month's study is that the Sunbeam name is growing in popularity, but that image is not always translating into sales. Almost 30% of those who mentioned what brand they would buy said Sunbeam—that was even higher than the 16.7% who picked the famous Cuisinarts name. Of those who actually purchased, however, Sunbeam sank to a 4.8% response. This can be explained by trade-up in the store once customers see the promotional price of Cuisinarts, buyers conclude. The market will get even more competitive as Oskar knock-offs appear. □

A blow-dryer with your compact disc

Something is amiss in the retail marketplace. Items traditionally associated with housewares departments are now appearing on shelves at electronics superstores such as The Federated Group, Silo and Crazy Eddie.

When a *Chain Store Age* editor recently visited Beyond Personal Electronics stores in Miami, he found housewares items comprising about 5% of the typical 350 to 400 sku's in the mix.

And just last Christmas, Crazy Eddie touted sharp prices on several housewares appliances.

Electronics stores got a start in housewares with microwaves. Now electronic toasters, coffeemakers, shower radios and personal care goods are popping up next to VCRs and compact disc players. Why all the interest on the part of specialty electronics retailers—especially when housewares appliance margins dip below the typical 24% to 30% margins electronics retailers enjoy?

There are several reasons. For one, housewares are now more closely related to electronic gadgets. Toasters can judge when toast is done, hand mixers do not require cords and microwave ovens can relay printed messages.

Color is becoming a bigger part of housewares and retailers are merchandising by color. The Beyond chain has customers who come in and buy everything in pink. That means retailers can sell a pink telephone, boom box and blow dryer in one shot.

There are obscure reasons housewares items are creeping into electronics stores. Housewares, for example, can lure women into the store. This is a shopper dearly needed since the number of men who shop electronics stores significantly outpace women. Then, too, the addition of housewares can stimulate impulse purchases and keep shoppers from buying elsewhere.

By offering these items, electronics retailers are offering a one-stop convenience and that means prices need not be footballed. Beyond, for example, sells items for full retail: A Pierre Cardin Hair Dryer/Travel Iron is priced at $19.95, Braun's Aromamaster 12-cup Brewer for $99.95 and the Hamilton Beach Quik-Cup for $24.95.

Another beauty of dabbling in housewares is electronics retailers can cherrypick items they desire. Customers do not expect them to carry every item, rather they look for electronics stores to sell the latest or trendiest items.

But there are pitfalls in adding this merchandise to the mix. Since more males frequent the stores, there may not be enough traffic to support housewares. And, since other retailers cut kitchen appliances prices to the bone, electronics retailers may be considered too pricey. That image can tarnish the rest of the store.

The news electronics retailers are joining the housewares fray is distressing to housewares retailers who say they have enough competition.

They point not only to impending competition from electronics superstores, but furniture merchants, too. Conran's, Ikea (soon to enter New York) and Ciao Italia (with a new store planned for Boston next June) now compete in many categories.

The best way for housewares retailers to combat infringing competition is to get smarter . . . more savvy. They need to have broad assortments, dominant statements, fair pricing and some level of service. It will indeed by a challenge in 1986 to keep the housewares business where it belongs.

—Faye Brookman

Retailers' attempts to find the happy medium in fiber content and thread count continues. Mass merchants and department stores are upgrading their selections.

Sheets make buyers restless

Sheets are not as sleepy a category as some might think. *Chain Store Age*'s recent buyer survey shows retailers are restless with current assortments. Many are contemplating changes in fiber content and thread-count of merchandise, responding to what consumers perceive as quality goods.

The survey was conducted last fall by mail. The average department store buyer responding to the study worked for a company with 23 units and a sales volume of $275.6 million. The average mass merchant had 20 stores and a sales volume of $171.7 million.

"We will go out of low thread counts and move toward more natural fibers," says one mass merchant. "The consumer is tired of sleeping on sheets with thread-counts that feel like 000 sandpaper."

A department store retailer adds, "160's will be totally gone in the next six months [from our stores]. There will be some increase in 200's and over, but not to the degree many expect and hope. Once you hit 180's, most consumers are more interested in cotton content than thread-count."

Cotton is currently sweeping the country. Department store merchants are increasing investments in 100% cotton sheets while upscale discounters are testing these goods and upping their orders of high-cotton blends.

Half of the discounters in the *CSA* survey report carrying some 100% cottons. The average mass merchants devoted 5% to 10% of its fall sheet mix to these goods.

Department stores are slightly more entrenched. Three out of five provide these goods. The average store invests 7% to 10% of its sheet mix in them. Moreover, one upscale retailer had as much as 40% of his fall selection in these goods.

Fall catalogs all touted the trend. Macy's offered Utica's Provincial Stripe and King's Court (both 180-thread) for $11.99 a twin and Utica's Cottoncale Candies (solid color percales) for $9.99 a twin. Filene's features Wamsutta's Regency Rose and Supercale solids (both 200-thread) at $12 a twin. And Caldor displayed Pacific's Peach Pearl and Romance at $24.99 a twin set and Pacific's pastel solids at $19.99 for a twin set.

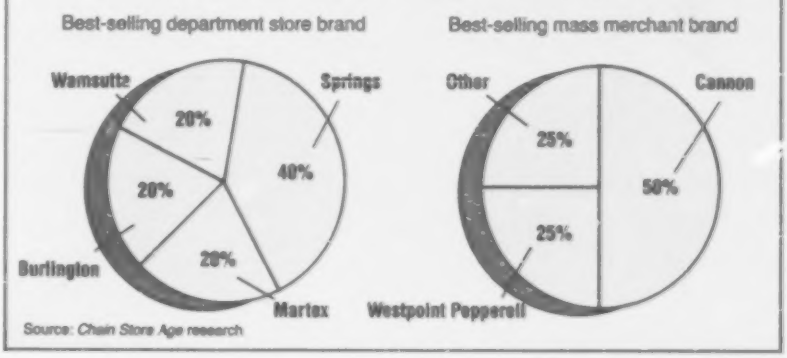
However, the *CSA* survey notes that many retailers are still avoiding the cotton boat. The majority of discounters are heavily involved in 50% cotton/50% polyester or higher polyester/cotton blends. Additionally, 40% of all the department stores only carried blended sheets and half of this group had no intention of changing their mix.

Thread-counts, on the other hand, are definitely changing. At department stores, retailers realize that the customer wants the softer feel of percales. The mass merchants, too, are moving in this direction, placing heavier emphasis on 180's.

Nearly 60% of the department store buyers will be making changes in their sheet mix (in reference to

Dept. stores are increasing investments in 100% cotton sheets.

Department store and mass merchant leading brands



Source: *Chain Store Age* research

thread-count) over the next two years, notes the *CSA* study. One merchant says, "We'll be eliminating low counts." More specifically, another indicates, "We've increased our 180's, decreased the 160's."

Currently, the average department store mix runs: 9.8% in 200-threads, 75.4% in 180's, 12.8% in 160's and 2% in muslins. The range for 200's was 3% to 21% while for muslins, it was 0% to 10%.

Discounters are split when it comes to making changes in their assortments. Half are content with the majority of their goods in muslins. The other half wants to increase investments in percales. In fact some upscalers are seeking programs in 200's to layer on to their successful 180's. The average discounter carries 17.5% of its mix in 180-threads and 82.5% in muslins.

The study also shows that most mass merchants offer 90% to 100% of their sheets in sets while department stores carry 80% or better as open stock. The majority of department stores would like to move more into sets while only one out of every four discounters would like to increase its open stock.

"We'll move solids to open stock and keep fancy's in sets," says one mass merchant. According to other retailers who have made this change, an open stock solid color program provides customers with the options of mixing and matching solids to prints or using flat sheets to accessorize rooms.

Other discounters are bringing in the better goods—the 100% cottons and 200-threads—as open stock merchandise. They explain that the price points of these goods in sets would be very high and perhaps discourage some sales.

Department stores want to move into sets for promotional purposes as well as to improve stockkeeping. Sets place department stores in direct price competition with discounters and offer a perceived value to some customers. Moreover, sets cut down on individual packages of pillowcases, flats and fitted, which in turn keeps the shelves neater and counts easier to do.

Lastly, the survey notes that the best-selling brand at department stores is Springs. Martex, Burlington and Wamsutta tie for second place. At mass merchants, 50% mentioned Cannon as their best-seller and Westpoint Pepperell came in second-place. □

Naturals warm up mattress pad sales

Retailers say the bulk of the business in mattress pads was achieved at full retail—a rare feat in bedding.

***Mattress pad margins** are holding steady at 38% to 42%.*

Mattress pads may not be the most exciting category for bedding buyers but it is still a good, basic business for most stores. Despite the slight increase in promotional activity of this category last year, retailers say the bulk of the business was achieved at full retail—a feat rarely accomplished in bedding classifications.

It is a good volume, profitable business, according to the merchants. Like pillows, the margin is holding steady at 38% to 42% although turns are somewhat slower, averaging 2.5 times annually. Retailers were able to maintain these relatively high margins because they promoted from within current assortments rather than bringing in promotional goods that they might have had to take markdowns on at a later date.

Additionally, one Midwest department store exec says, "It's a very profitable business because the items are blind items. Most customers can't compare prices in pads unless they can find the exact same item at another store and that's hard to do."

To stimulate sales this year, retailers are upgrading products in addition to expanding more into natural fibers. A few discounters report dropping anchorband styles completely from their mixes. One Midwest merchant explains that this is in response to customer demand. At his stores, the only styles now carried are fitted or wrapped, priced at $6.99 to $14.99 for a twin. His bulk sales are at $9.99.

Other retailers have gone the 100% cotton or wool route. "Our customers are coming in and asking for 100% cotton pads," explains an East Coast department store buyer. Currently, he retails one all-cotton, fitted twin at $19.97 and is contemplating bringing in a second.

For winter, several merchants switched over to wools. Macy's carried an anchorband, 100% merino wool pad from Chatham retailing for $59.99 a twin. Caldor had a similar one for $39.99.

Still some retailers remain cautious when it comes to the natural fibers. They feel that their markets just will not support these higher-priced goods.

A Midwest department store experienced an unusual reaction last year. After successfully featuring a 100% cotton pad at $19.99 a twin, the buyer brought in a 100% wool one at $49.99 a twin.

The wool pad bombed and the store is now gun shy toward wool pads, notes the buyer. Perhaps the store was slightly ahead of the trend or the merchandise was out of the customer's perceived value range at that time. The buyer will not know which unless he tries again—something he was unwilling to do this past season.

on the bandwagon and are promoting them for additional business. Last December, the New England discounter advertised two foam pillows for $18, regularly priced at $12.99 each.

Pillowtex's Conrads says, "I'm not sure it's happening [the interest in firmer pillows] all of a sudden. I think maybe it's a backlash to the soft pillow trend [which has been going strongly for the past few years]."

She adds, "Perhaps there was always a market out there that wanted them but we didn't give it to them before."

Last year's big hit—the naturals—continues to do well. However, retailers say they need to be promoted more than before.

Even the mass merchants are increasing their stakes in this classification. One South Central discounter has added queen sizes in feather and down to its successful standard-size selections. The exec says his stores are trying to move their customers into better goods by offering a wider assortment of them.

The biggest problem with pillow merchandising remains customer confusion. Kohl's Blackmore says, "Consumers are very confused by pillows. We, the retailers, don't tell them why they should buy a $3.99 pillow vs. a $19.99 pillow. We, as retailers, could do a better job in educating them."

Kohl's will be adding signs in-store detailing the type of pillow a consumer needs based on the way she sleeps. Several department stores have been using this technique in ads for the past few years.

Additionally, Pillowtex has developed an in-store selling aid for this purpose called the Pillow Computer. It asks the consumer three questions: size of bed she is shopping for, if the user has allergies and how the user sleeps.

Conrads explains that the first question helps trade customers up. It demonstrates that a queen- or a king-size pillow can be used on a twin bed—something most consumers don't usually think of.

The second question directs the consumer to either natural or synthetic pillows while the third question indicates density. If the consumer sleeps on her stomach, she should use a soft pillow. If she sleeps on her side, a firm pillow is needed and if she sleeps on her back, a medium-density pillow is indicated. □

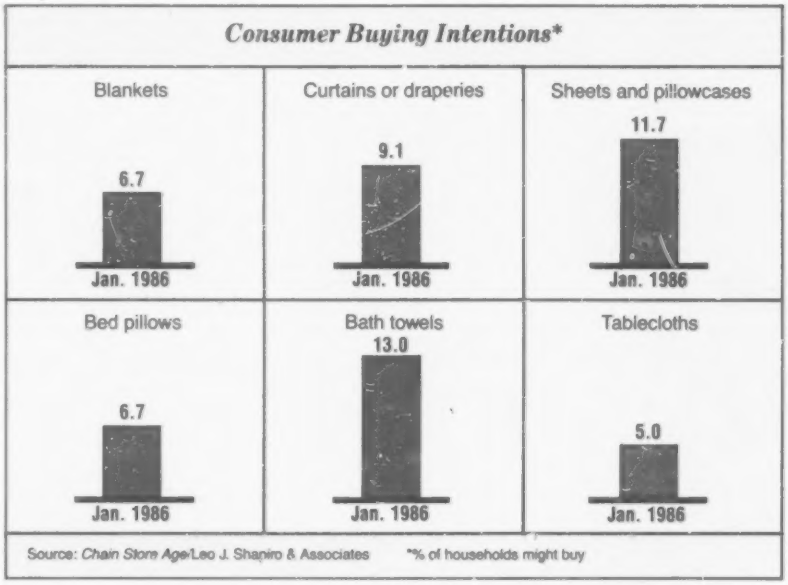
Interest in buying bed linens is split

Chain Store Age Home Textiles MarkeTrends, a monthly report of consumer buying intentions, makes its first appearance in this issue. That standing feature promises to provide informative and often surprising insights into the buying patterns in key classifications.

Blankets and curtains and draperies all receive strong consumer interest in this month's survey. Two-thirds as many people who purchased blankets last year say they plan to buy one this year, while 75% of the number who bought curtains and draperies last year are looking to buy them this year. (Based on past surveys, a product shows good potential when the sample of prospective customers equals half of the group of customers which say they purchased in the last year.)

Sheets and pillowcases and bed pillows show the weakest potential of the six products tracked in home textiles. Some 11.7% of those surveyed say they intend to buy sheets and pillowcases, compared with 26.5% who say they bought them in the past year. Only 6.7% of households are in the market for bed pillows over the next year, compared with 15.3% who bought last year.

Bath towels and tablecloths seem to be on target for this year and will likely achieve sales comparable to last year's volume. Exactly half as many people as bought last year say they intend to purchase bath towels this year, while 5% say they will buy tablecloths, compared with 11.7% who actually purchased last year. □



Fashion edges quality in sheets

It has long been understood that the pattern sells the sheet. But a recent *Chain Store Age*/Leo J. Shapiro & Associates study shows consumers are willing to trade quality for fashion.

Prospective sheet buyers say quality will most influence their choice of store after price considerations. However, those who have bought in the last year indicate that quality had less influence, and selection and a convenient store location more influence, in the purchasing decision.

With this is mind, the data suggest that Sears had neither the fashion nor quality in sheets to convert shoppers into buyers, despite having the price which brought them into the store initially. Approximately 19% say they would buy sheets at the No. 1 retailer compared with only 10.9% who actually

Consumers' plans vs. actual sheet purchases

Brand plan to buy:		Brand bought:	
Store brand	34.2%	Cannon	33.3%
Cannon	23.7%	Store brand	20.0%
A brand (not specific)	23.7%	Martex	6.7%
Burlington	5.3%	Burlington	5.3%
Stevens	2.6%	Wamsutta	4.0%
Fieldcrest	2.6%	Springmaid	4.0%
Westpoint Pepperell	2.6%	Westpoint Pepperell	4.0%
Other	5.3%	Stevens	2.7%
		Fieldcrest	2.7%
		Other	17.3%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

made purchases there within the past 12 months.

Discounters, too, have the same problem as Sears, according to the survey. Nearly 29% of those surveyed say they would shop a discounter but only 25.1% bought sheets at one last year.

K mart, in particular, lost a third of its prospective market. Approximately 16% say they planned to shop this category at K mart while only 9.8% actually did last year.

Unlike Sears and the discounters, department stores and product specialty stores gained market share. Approximately 33% of the shoppers say they would go to a department store compared with 35% who actually bought sheets at one within the past year.

This indicates that consumers did not think that department stores offered the best price or quality for sheets initially. But upon visiting one that was conveniently located, shoppers found that the price and selection was adequate and they made purchases. Product specialty stores show an even greater share gain than department stores.

Prospective buyers have a realistic picture of sheet prices. The median price they expect to pay is $20 compared with the average $21 spent by past purchasers. □

Specialty store prices attractive in C&D

Customers are unhappy with department store curtain and drapery offerings, suggests the latest *Chain Store Age*/Leo J. Shapiro & Associates study. And despite new presentations at Sears and Montgomery Ward, J. C. Penney seems to be winning the Big Three battle for window treatment sales.

Department stores show the most drastic falloff when it comes to converting shoppers into buyers. While 30.9% of prospective buyers say they will shop these stores for curtains and draperies, only 17.6% actually did last year.

Sears and Ward, too, have conversion problems. Sears gets mentioned by 21.8% who plan future purchases, but only 15.3% who bought this merchandise within the past 12 months went to Sears; Ward went from 5.5% to 4.7%.

Still, the Big Three maintain an overall strong market presence, thanks to Penney. Last year, 41.2% of the customers bought window treatments at a mass merchant and 38.2% plan to shop these stores in the future.

More than 1 in 5 bought at Penney, while 10.9% say they intend to buy there this year.

Product specialty stores are the most successful in converting shoppers into buyers. Nearly 13% of the past customers made purchases at these outlets and 10.9% of the prospective shoppers are already committed to them.

Price expectations of future purchasers

$15 and under	4.2%
$16-$20	8.5%
$21-$25	6.4%
$26-$30	2.1%
$31-$35	6.4%
$36-$50	12.8%
$51-$99	6.4%
$100-$124	19.2%
$125-$149	6.4%
$150-$199	10.6%
$200-$299	8.5%
$300 and over	8.5%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Price paid by past purchasers

$15 and under	11.7%
$16-$20	5.9%
$26-$30	11.8%
$36-$50	11.8%
$51-$99	11.8%
$100-$124	17.6%
$150-$199	5.9%
$200-$299	5.9%
$500 and over	17.6%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The survey suggests that price is the main reason shoppers buy at a particular store. Three out of every 10 prospective shoppers said they would base their store choice on low prices while 1 out of every 2 past purchasers said their store choice was infuenced by it.

Quality (20.8%) and selection (18.9%) are almost as important as price is to future purchasers. But previous shoppers place twice as much emphasis on price than selection (25%), while quality diminishes in importance (5%) and service becomes third most important (10%).

One reason price becomes important to those who are buying is that future shoppers have some unrealistically low price expectations. Future buyers expect to pay an average of $112 while those who did purchase paid an average of $171.

Lastly, the data indicates that prospective customers are looking to buy an advertised brand (64%). Brands mentioned include Hanover (4%), Croscill (4%) and Levolor (4%). However, 2 out of every 5 did not name a brand specifically.

Interestingly, when shoppers actually made purchases, the reverse was true. Approximately 67% bought store brands and an additional 13.3% were custom orders. The only brand recalled by name was Levolor—a manufacturer of hard window treatments, not curtains or draperies. □

Having fast film on hand lends credibility to a photo department by indicating to customers that the retailer is serious about the category.

High speed film acceptance slow

No retailer has struck it rich with high speed film, but in the two years since the product was introduced it has carved a place in the mass market and helped bring serious amateur photographers into the store.

Kodak introduced 1000 ASA color print film about two years ago with its 100, 200 and 400 ASA offerings. Agfa began distributing its 1000 ASA films for both prints and slides at about the same time. Fuji has sold 1600 ASA color print film for two years and Konica recently debuted its version of 1600 ASA for color prints.

No one predicted a revolution in film retailing and none has come. The specialized high speed film is for people who want to shoot stop-action sports photos or need to shoot in darkened areas with available light. Beginners—and even many experienced amateurs—complain of grainy prints and color problems with the film.

Just the same, most retailers who talked to *Chain Store Age* are stocking the product. Richard Pearson, camera and accessories buyer for the Omaha, Neb.-based Pamida discount stores, says his company began offering Kodak VR1000 as soon as it became available. The chain considered dropping the film but then decided to stand by the product despite sales totaling less than 1% of the stores' film business.

Pearson wants fast film on hand because it fills a need. "It's a different kind of customer," he says.

It is a customer who is serious about photography and is therefore more willing to spend money in the category. As Rex Holloway, camera buyer for Howard's, a 106-store discount chain headquartered in Monroe, La., puts it, fast film "attracts a little higher quality photographer. "The key is to promote it sometimes to make people aware it's there," he says. Holloway is stocking Kodak VR1000 despite sales that account just 3% of total film receipts.

Having the film on hand lends credibility to a photo department by indicating to customers that the retailer is serious about the category. That can be important to discounters, many of whom started small in the photo business with inexpensive cameras and built gradually. "It rounds out the line," says George Tyler, camera buyer for Fedco, another chain that has stocked Kodak's fast film since its inception.

Though sales remain slow at most chains, the Wolfman Report Survey for 1984, the most recent available, concludes that high speed film has captured 10% of the market. That compares with 40% of the market for film of 100 ASA or slower, 10% for 200 ASA and 40% for 400 ASA.

Mike Sullivan, a Kodak spokesman says, "The greatest application for 1000 film is in the camera specialty stores." "Four hundred is doing better in drug and grocery outlets."

Other manufacturers agree. Tom Shay, Fuji's manager of corporate communications, says, "It might sell better in camera stores but it's available in discounters." Konica films sell in specialty stores, but the company is seeking wider distribution.

"When it was first introduced," says Kodak's Sullivan, "it had a peak. Later, it took its place and has a steady growth picture."

Shay says fast film "won't skyrocket but it has not yet reached saturation."

Fedco's Tyler believes sales will remain flat but Holloway of Howard's foresees some growth potential as customers and salesmen get to know the film.

***Sophisticated cameras** are spurring sales of fast film.*

If fast film can merely hold its present market position, it is bound to grow along with the whole film industry. Business is improving because cameras are becoming increasingly easy to operate. Photo supplies stock turns of 3.5 in 1983-84 improved to 4.4 in 1984-85. The category's gross margins went from 15.3% in 1983-84 to 16.3% in 1984-85, according to the National Mass Retailing Institute.

Fast film can remain part of this bright picture, manufacturers say, citing technological improvements. Sullivan says Kodak has improved its 1000 ASA film since its introduction but still cautions that 8-by-10

prints are still a bit grainy. "It's not an all-purpose film," he says.

Many customers were soured on fast film by bad results and some retailers have dropped the product because of it. Bob Nau, camera buyer for the 28 Gibson's Discount Center stores headquartered in Dodge City, Kan., found the low volume did not justify the customer complaints. "You could put it all in a pile and pour kerosene on it," he says. □

Wal-Mart drops Fuji for 3M film

In pursuit of its 'Buy American' program, Wal-Mart will drop Fuji for 3M's Scotch brand film.

Until recently Wal-Mart's "Buy American" program seemed principally aimed at helping smaller, regional companies, mainly in apparel, textiles and other home furnishings areas, get a leg up on foreign competition. But now Wal-Mart is extending its policies to some product categories dominated by major American producers.

In New York recently to accept "Man of the Year" award from the Textile section of the New York Board of Trade, Walton announced that Wal-Mart would drop Fuji film this year in favor of Kodak, which Wal-Mart already sells.

A call to Wal-Mart's headquarters confirmed that the chain is dropping Fuji, but not solely to Kodak's benefit. Wal-Mart is adding another American vendor to supplement its offering of Kodak film. Wal-Mart will sell Scotch brand film by 3M.

The move raised some eyebrows because of the impact Fuji has had on the American film market since obtaining the rights to bill itself as the official film of the Summer Olympic Games. In the past two years Fuji's share has grown rapidly, and is now estimated to be between 8% and 10% of the U.S. market. Fuji has been especially strong in specialty stores, but mass marketers like K mart and upscale discounters in particular have added the film.

Fuji said it did not want to comment on Wal-Mart's move.

Consumer interest in cameras wanes

Consumer price expectations when buying cameras have risen since 1985.

In the last decade camera sales have seemed at the mercy of the economy. *Chain Store Age* surveys consistently show that cameras are among the first products consumers put off buying when money gets tight. And even when they do buy, consumers tend to shop ads and compare prices of cameras even more closely than most other products.

That kind of attitude seems likely to continue, according to *Chain Store Age* Photo/Camera MarkeTrends, a monthly report of consumer buying trends which begins with this issue.

Only 3.8% of those surveyed say they intend to buy a camera in the next 12 months. That compares with 10.3% who say they purchased a camera over the last year. Past experience with such surveys has shown that when intention-to-buy is less than half of actual purchases, a sales slump may be on the way for a given product.

Part of the problem, of course, is simply that consumers seem to be taking a breather after the buying spree they went on in 1983-84, even though cameras were not high on peoples' lists back then. But even when they are buying, consumers are bypassing cameras and looking for other, "sexier," items, like food processors, VCRs and, now, compact disc players (See *CSA*'s Housewares and Consumer Electronics MarkeTrends in this issue for a glimpse of consumer interest in those and other key products).

At which store was your last . . . bought?

Outlet	Camera	35mm lens
Discount store (net)	18.8%	10.3%
K mart	8.2	2.9
Mass merchandisers (net)	8.7	18.3
Sears	4.3	7.4
J. C. Penney	3.4	—
Montgomery Ward	1.4	2.9
Department store	11.6	11.6
Drug store	6.8	—
Catalog showroom	3.9	4.4
Specialty store	20.3	42.6
Mail order	3.4	—
Other/not answering	6.5	20.6

Source: *Chain Store Age*/Leo J. Shapiro & Associates

If anything, the position cameras occupy vs. these kinds of products may become even more problematic in the next year, according to demographic information from the survey. About 55% of those who plan to buy a camera feel it will not be any easier this year paying all of their household bills. By contrast, less than half of those who plan to buy a food processor or rack stereo system feel the same way.

Despite this, there are bright spots in the camera market. One is consumer price expectations. Those who plan to buy actually intend to

spend more money on cameras than those who bought last year. Consumers say they expect to pay a median price of $150 for a camera over the next year. That compares with the $120 median price by consumers who bought a camera in the past 12 months.

Clearly, another bright spot has been the success of Minolta's new Maxxum autofocus SLR. This technologically unique camera has boosted SLR sales, and just in time. In 1984, for the first time, unit sales of autofocus lens-shutter cameras outdistanced sales of SLRs.

The introduction of the Maxxum, which will probably record first year sales of 250,000 units in the United States, is probably one reason why consumers in the *CSA* study show more interest in purchasing an SLR than an autofocus lens-shutter camera. The challenge for many retailers remains to stop consumers who begin by searching for an SLR from trading down to a lens-shutter camera when they see how sophisticated these cameras have become.

Although product specialty stores remain the outlet of choice, the survey shows that discounters are doing a good job of converting customers. Although only 15.3% say they intend to buy a camera at a discount store, 18.8% of those who actually bought one did so at a discounter. Specialty stores were mentioned by 24.3% as the place they would shop, but only 20.3% report actually buying there. □

35mm lens market comes into focus

***Consumers are clearly** price-conscious when purchasing camera lenses.*

The market for 35mm interchangeable lenses has always resembled a yo-yo—large sales dips followed by sudden surges upward. From the looks of things, business may be ready to take off again.

Nearly as many people say they will buy an interchangeable lens in the next year as claim they purchased one in the past 12 months, according to *Chain Store Age* Photo/Camera MarkeTrends. That is significant because intention to buy generally runs at only about half of actual purchases for products surveyed by *CSA*.

(Consumers typically underestimate their actual purchasing intentions over a 12-month period. Shoppers are influenced by such factors as in-store display and advertising, which they are not exposed to at the time they answer a survey.)

The interchangeable lens business took a sales dip of about 15% over the first six months of 1985, the latest period for which figures are available. But in the two preceding years sales rose, by more than 30% in 1983 and about 3% in 1984. Now the market seems ready to take off again probably because of technological advancements and the introduction of new SLRs which require new lenses.

In the *CSA* survey, 3.6% of those polled say they plan to buy an interchangeable lens in the next year, compared with 3.7% who say they made such a purchase in the last 12 months. More people, according to the survey, are actively shopping for a lens now than for a camera. While that indicates the strength of the category, it also illustrates that lenses tend to be more of a planned purchase and less of an impulse item than some types of cameras.

How much did you pay for . . .?

Price	Camera*	Interchangeable lens*
Under $30	11.0%	2.0%
$30-$50	12.5	2.0
$51-$99	8.1	24.5
$100-$150	7.3	20.4
$151-$199	10.3	10.2
$200-$299	11.0	4.1
$300-$399	4.4	2.0
$400-$499	2.2	—
Over $500	2.2	—

*Responses do not add up to 100% because of "no answers."
Source: *Chain Store Age*/Leo J. Shapiro & Associates

The market will likely be driven by the success of technologically advanced SLRs, like the Canon T-70 and the Minolta Maxxum. Although SLR sales remain flat, more sales of these advanced cameras mean added opportunity for lens sales. Some of these cameras, like the Maxxum, require their own distinct lenses. Minolta estimates that two lenses are sold with each Maxxum. If supplies hold up, that would mean Minolta will sell about 500,000 interchangeable lenses in the United States in one year.

Declining prices for sophisticated lenses may also boost the market. A 70-200 zoom lens with improved optics can now be purchased for about half what a consumer paid several years ago. Consumers are clearly price-conscious. Some 54% rate price as the most important factor in making a lens purchase, compared with just 38% who believe price is the most important consideration in purchasing a camera.

Improved optics continue to make zoom lenses the most popular format. A *CSA* survey of chain photo buyers last year showed most considered zoom lenses to be their best-sellers.

Not surprisingly, specialty stores have a much larger share of this market than of the camera market. More than 40% of those surveyed say they will purchase at a specialty store, while 51% actually bought an interchangeable lens there last year. Catalog showrooms seem to have the largest problem converting perceptions into sales. More than 11% say they intend to buy at a catalog showroom, but only 5.2% did. □

Tight spending hurts discounters

Middle America was more cautious in its spending during the third quarter. The result was a decline in earnings by the Big 3 general merchandisers and only modest gains by most discount and variety stores.

Of the major retail categories, department stores emerged as the clear winner by posting an average earnings gain of 13.7%. This improvement came despite a slow start in third quarter sales of fall and winter apparel caused by warmer weather.

J. C. Penney and Sears posted almost the same performance for the quarter with declines in their rate of earnings of 7.9% and 7.8% respectively. Montgomery Ward recorded the same $15 million loss it did during the same quarter last year.

Woolworth, Ames, Zayre and Wal-Mart made strong showings for different reasons. Ames benefited from the addition of 108 G. C. Murphy stores, and Woolworth and Zayre earnings were helped by their specialty store operations. Wal-Mart's earnings gain was helped by a 280% sales increase by Sam's Wholesale Club, but its discount stores also generated a comparable store sales gain of 7%.

Rose's and K mart felt the impact of soft consumer demand. Third quarter results make them even more dependent on an outstanding fourth quarter to salvage the year. The two chains, like many other discounters may have lost their footing while attempting to balance the need for promotional activities with the desire to overcome lingering concerns about inventory control.

Among the diversified department store chains, Allied stores and Dayton Hudson showed the largest earnings gains, while Associated Dry Goods slipped by 2.5%, and Federated stores could manage only a 0.9% gain. Carter Hawley Hale did report a respectable 8.9% earnings increase, but it was due in part to a $2.4 million LIFO credit.

Toys "R" Us paid the price in this third quarter for the "extraordinary volume" the stores generated in the same quarter last year. The relatively flat store-for-store sales produced an earnings decline of 25.6%. For the first nine months, TRU is producing a 0.5% earnings gain.

Department stores show moderate gains

Chain	3rd quarter (000 omitted) 1984	1985	% change	Nine months (000 omitted) 1984	1985	% change
Penney	101,000	93,000	– 7.9	219,000	173,000	– 21.0
Sears[2,4]	102,500	94,500	– 7.8	294,200	176,300	– 40.1
Ward	(15,000)	(15,000)	—	(16,000)	(14,000)	—
Subtotal	**198,500**	**172,500**	**– 13.1**	**497,200**	**335,300**	**– 32.6**
K mart	92,400	77,400	– 16.2	294,800	210,700	– 28.5
Ames	7,462	10,655	+ 42.8	16,815	22,348	+ 32.9
Roses	3,646	2,865	– 21.4	13,151	9,645	– 26.7
SCOA (Hills)[3]	10,581	11,163	+ 4.5	14,260	15,383	+ 7.9
Wal-Mart	58,792	70,917	+ 20.6	161,399	194,416	+ 20.5
Woolworth	26,000	38,000	+ 46.2	49,000	71,000	+ 44.9
Zayre	22,584	27,687	+ 22.6	45,620	56,748	+ 24.4
Subtotal	**221,565**	**238,687**	**+ 7.7**	**545,045**	**580,240**	**+ 6.5**
Allied	17,628	22,940	+ 30.1	49,074	71,153	+ 44.9
Associated Dry Goods	15,900	15,500	– 2.5	39,394	39,434	+ 0.1
Carter Hawley Hale[1,3]	9,012	9,812	+ 8.9	57,097	(3,143)	—
Dayton Hudson	43,172	56,898	+ 31.8	110,675	130,333	+ 17.8
Federated[3]	57,008	57,538	+ 0.9	127,851	132,589	+ 3.7
May Co.	39,600	44,200	+ 11.6	104,100	115,500	+ 10.9
Mercantile	21,920	25,234	+ 15.1	48,314	55,714	+ 15.3
Subtotal	**204,240**	**232,122**	**+ 13.7**	**536,505**	**541,580**	**+ 0.9**
Oshman's	456	527	+ 15.6	2,223	806	– 63.7
Toys "R" Us	10,279	7,644	– 25.6	31,518	31,666	+ 0.5
Subtotal	**10,735**	**8,171**	**– 23.9**	**33,741**	**32,472**	**– 3.7**
The Gap	4,441	13,057	+194.0	5,196	12,358	+137.8
The Limited	28,385	42,120	+ 48.4	58,878	89,210	+ 51.5
Edison Bros.[3]	8,900	5,900	– 33.7	24,500	13,600	– 44.5
Subtotal	**41,726**	**61,077**	**+ 46.4**	**88,574**	**115,168**	**+ 30.0**
Syms	2,211	2,452	+ 10.9	6,972	8,297	+ 19.0
Clothes Time	829	3,401	+310.3	2,747	8,596	+212.9
Subtotal	**3,040**	**5,853**	**+ 92.5**	**9,719**	**16,893**	**+ 73.8**
Total	**679,806**	**718,410**	**+ 5.7**	**1,760,784**	**1,621,653**	**– 7.9**

[1]Continuing operations only. [2]Consolidated operations only. [3]Excludes unusual items. [4]U.S. merchandising only.
( ) Indicates loss.
Source: *Chain Store Age* research.

Retailers' markdown madness

Retailers' fears that 1984 was a year of rampant markdowns have been confirmed by research from the 1985 edition of MOR: Merchandising and Operating Results of Department and Specialty Stores, a publication of the National Retail Merchants Association.

The use of markdowns to clear excess inventories skyrocketed in 1984, especially in apparel areas. Price cuts in women's apparel jumped from 22.5% of total sales in 1983, to 28.2% in 1984. Men's clothing markdowns were up from only 15.5% of sales in department stores in 1983, to 19.6% of total volume in 1984 and price cuts in children's apparel climbed from 17.5% of sales to 21.5%.

Even categories not traditionally subject to huge markdowns—domestics, hobby/recreation and appliances—experienced greater price rollbacks in 1984. The only category with fewer markdowns was personal needs and smallwares (cosmetics, toiletries, drugs, stationery, office supplies and food). These, of course, are necessities that customers cannot put off buying until a sale.

With the increase in price cuts and promotional activity came a drop in gross margins. Although retailers have been trying to boost margins, the percentage sank in every area except personal needs and smallwares and hobby/recreation. In fact, margins in hobby/recreation climbed an impressive 4.5 percentage points.

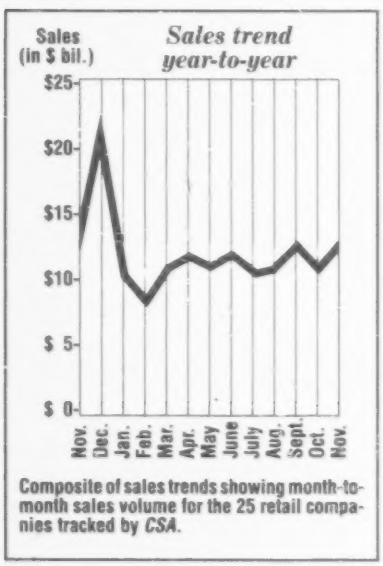
Shoes suffered the greatest decline in gross margins, dropping from 43.8% in 1983 to 42.1%.

Calendar confuses sales reports

Had it tried, the calendar could not have confused November sales results more than it already did. The 26 chains tracked by *Chain Store Age* posted a 6.4% gain for the month, but what that meant was anybody's guess.

The cause for all the confusion was a combination of a Thanksgiving holiday which was celebrated a week later this year, and a reporting date which also fell a week later.

In some cases, the effect could be dramatic. At Dayton Hudson, which recorded a 23.1% gain for the month, and comparable store results up 17%, figures restated to reflect an identical reporting period marked total volume increasing 12.5%, and same-store results gaining only 6.8%.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

At J. C. Penney, the effect was positive. Though reporting only a 3% increase for the month, restated figures indicated a 15% gain, according to Penney chairman William R. Howell.

One interpretation with which all agreed, however, was that consumer spending going into Christmas, 1985 was soft. Unlike the previous year, though, inventories were reported far leaner than in 1984.

Sears could take little solace from the holiday spirit. United States Merchandising Group sales were down 5.3% in November, and for the 10-month-old fiscal year were holding barely even with last year's performance. Crosstown rival Montgomery Ward also saw sales slip in November, recording volume down 4.1% from a year ago.

K mart, which was one of the last to pull out of the last sales slump, now looks a likely candidate to be among the first to drop in the next version of the economic doldrums. Though sales for the 10-month period are up 7.7%, November volume dropped 1.5%.

However, Wal-Mart's total sales for November were up 30.1%, with comparable store results gaining 5% for the month and 8% for the 10 month reporting period.

November sales a soft holiday start

Major chains	% change	Nov. Sales* 1985	Nov. Sales* 1984	Stores 1985	Stores 1984	10-mo. sales* 1985	10-mo. sales* 1984	% change
Sears[1,3]	– 5.3	2,318,900	2,449,100	800	804	20,513,800	20,431,400	+ 0.4
Penney[4]	+ 3.0	1,341,000	1,302,000	1,979	2,020	9,676,000	9,579,000	+ 1.0
Ward[1,7]	– 4.1	435,200	453,900	316	323	3,591,400	3,700,100	– 2.9
Federated[5,7]	+ 9.9	773,700	704,000	471	451	6,274,700	5,877,800	+ 6.8
Dayton Hudson[7]	+ 23.1	836,800	679,900	1,211	1,149	6,538,800	5,659,800	+ 15.5
May Dept. Stores	+ 12.0	515,400	461,500	2,034	1,774	3,953,800	3,583,000	+ 10.4
R. H. Macy	+ 10.8	445,600	389,700	95	96	3,446,100	3,218,000	+ 7.0
Associated Dry Goods	+ 12.8	431,200	382,200	341	332	3,337,000	3,013,000	+ 10.8
Allied Stores	+ 9.4	416,500	380,700	639	596	3,184,500	3,027,500	+ 5.2
Carter Hawley Hale[7]	+ 9.5	386,300	352,900	299	268	3,047,100	2,762,000	+ 10.0
Mercantile	– 0.9	193,513	195,318	80	79	1,445,321	1,328,734	+ 8.8
K mart[6,8]	– 1.5	1,821,200	1,849,700	2,187	2,174	16,907,500	15,700,900	+ 7.7
Wal-Mart	+ 30.1	925,000	711,000	868	751	6,602,000	5,038,000	+ 31.0
Woolworth	+ 3.9	504,000	485,000	N/A	N/A	4,634,000	4,451,000	+ 4.1
Household Merch.[2,3,7]	– 10.0	396,400	439,100	3,532	3,704	4,315,100	4,227,900	+ 2.0
Zayre[4]	+ 9.0	387,200	355,100	960	848	2,969,400	2,496,500	+ 19.0
Bradlees	+ 32.3	176,000	133,000	158	132	1,204,000	1,047,000	+ 15.0
Rose's	+ 17.8	127,730	108,432	205	195	180	721,694	+ 10.1
Ames	+ 93.0	164,400	85,300	454	180	1,132,200	639,300	+ 77.0
Jamesway	+ 18.3	56,015	47,344	91	85	407,258	362,880	+ 12.2
Heck's	+ 14.3	54,400	47,600	165	126	420,900	380,700	+ 10.6
Melville[7]	+ 7.8	410,900	381,100	5,567	5,296	3,750,105	3,367,547	+ 11.4
Tandy	+ 24.8	326,744	261,885	N/A	N/A	2,369,447	2,122,692	+ 11.6
Edison Bros.	+ 3.3	63,200	61,200	N/A	N/A	686,800	677,200	+ 1.4
The Gap	+ 26.5	61,500	48,600	674	629	485,500	395,200	+ 22.9
Circuit City	+ 36.5	81,500	59,700	111	N/A	483,400	365,200	+ 32.4
Totals & Averages	+ 6.4	13,650,302	12,825,279	—	—	112,170,696	104,174,047	+ 7.7

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Includes 2,613 franchise stores (vs. 2,742 a year ago). [3]Includes Von's and T.G. & Y. sales. [4]Includes 338 Zayre stores (vs. 290 a year ago), 431 Hit or Miss stores (vs. 402) and 191 T. J. Maxx stores (vs. 156). [5]Excludes supermarket sales. [6]Store count is for K mart stores only. [7]Continuing operations only. [8]Domestic operations only.

Pace outflanks East competition

Not too long ago the East Coast was deemed a prime area for growth of cash and carry warehouses, but Pace Membership Warehouse is quickly outflanking the competition in the East.

Cash rich from a recent public offering, last fall the Denver-based Pace opened three warehouses in Baltimore/Washington, in a market once thought to be the target of Price Club. Pace's other eastern locations include Charlotte, N.C., Atlanta, Tampa/St. Petersburg.

The three Baltimore/Washington warehouses cost some $35 million to get off the ground. Each is projected to do about $40 million a year. Pace funded the openings with part of the $54 million it raised from a recent public offering of 3.5 million shares of common stock.

The three Baltimore/Washington openings, coupled with two additional openings in late December, in Pittsburgh and Tampa, give Pace 14 warehouses.